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21 June 1956

OGC Has Reviewed

MEMORANDUM FOR: CIA Career Council

SUBJECT : The Government Employees' Health Association, Inc. in Re Project AQUATONE

1. The Board of Directors of the Government Employees' Health Association, Inc. (GEHA) considers the Board's essential function to be that of establishing and maintaining acceptable and desirable forms of health and life insurance for regular employees of the Agency in a manner consistent with the Agency's security requirements and at the lowest possible costs.
2. Prior to the establishment of the GEHA insurance program in 1948, Agency personnel experienced difficulty in procuring life insurance policies through outside commercial insurance companies and in most instances these companies would not underwrite the policies on CIA employees unless the Agency could advise the company that the proposed insured would not be serving in a hazardous position with this Agency.
3. The War Agencies Employees' Protective Association plan was established during World War II in order to provide life insurance protection to civilian employees of the Government who would be serving in hazardous positions overseas. It is generally understood that WAEPA intended to insure against a

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extra hazardous risk since this program was designed and established to fill a wartime need.

4. On the other hand, following the recommendation of the Insurance Task Force, GEMIA negotiated a life insurance contract with [REDACTED] which was effective 1 August 1954 for the purpose of providing new life insurance on a completely secure basis. While detailed discussions were not held as to how hazardous a risk the normal CIA employee would be considered, it was understood by [REDACTED] that since our regular staff employees might be called upon to render services outside of the United States in connection with the intelligence activities of the United States Government that there would be some risks above that understood in terms of the normal Government employee under this program. These risks were assumed by the underwriter to be fairly intermittent in nature and would not apply to all individuals being insured under this program. The Board in its administration of this program has been guided by Agency policy as to the general nature of duties of staff employees and the normal hazards resulting therefrom. In this regard it has been consistently held that staff employees acquire by virtue of their duties, experience and training, a considerable amount of sensitive information, and such employees should not be assigned to hazardous illegal or para-military duties whereby they may be captured or held in the status of prisoners of war and subsequently brainwashed. Under this policy, a reasonable pattern of risk experience can be visualized and anticipated, but the insurance program did not envision the extra hazardous duty of the special group.

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5. The premium rate and the possibility of dividends under the [REDACTED] plan are directly related to our experience in death claims processed under this plan. It follows then that should GEMIA experience a high mortality rate among its policy-holders that any surplus which might otherwise be accumulated

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and returned to the policyholders in the form of a dividend, premium holiday or reduced premium rate for a specified period of time would not be forthcoming. In addition, should the experience rating be so high as to consume any possible surplus and result in a net loss to [REDACTED] [REDACTED] would then have to increase the premium rate for all [REDACTED] policyholders or possibly not renew the existing contract. The chances for non-renewal of this contract would be greatly increased if

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[REDACTED] were aware that CIA were covering short term personnel recruited for extra hazardous projects not contemplated under the original negotiations. Since it is a function of this Board to procure and maintain the necessary insurance coverage for the bulk of regular Agency personnel at the lowest possible rate, the Board should assure that the inclusion of any special group or groups of individuals in an extra hazardous project does not jeopardize the maintenance of an insurance program for the vast majority of regular Agency employees. It is the firm opinion of this Board that the inclusion of an extra hazardous occupational group, such as the special group of appointed employees to project AGWATONE, in the [REDACTED] program would jeopardize the program which has been established over a period of years for the bulk of regular Agency employees. In addition, the Board has been mindful of the fact that Agency employees have been encouraged to and have readily accepted the CIA insurance programs in lieu of attempting to obtain public insurance. Any action which might cause a sharp increase in premiums or cancellations of these policies will have serious personal repercussions on our employees and many employees may experience considerable difficulty in replacing this insurance.

6. Inasmuch as 17 members of the AGWATONE group have acquired coverage through [REDACTED], this Board will include the balance of approximately 11 additional members

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of this project. However, the Board strongly urges the adoption of the following recommendation: that the Career Council recommend to the Director that where payment of a death claim due to operational activities is required for this special group of persons engaged in this project, this payment be provided through operational funds of the Agency which may be transmitted through the Government Employees' Health Association in settlement of any such obligation. Death claims on any of these individuals resulting from causes other than extra hazardous will not require Agency reimbursement.

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[REDACTED]
Chairman of the Board